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UNCLAS SECTION 01 OF 02 LILONGWE 000165

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SUBJECT: FY 2004 ESF REQUEST

REF: STATE 33230

**1. SUMMARY.** Post welcomes the opportunity to submit proposals for funding under ESF's Africa Regional Fund. Our four proposals are directly linked to MPP goals related to counterterrorism, the environment and economic development, and democracy and governance.

**2. Proposals follow:**

**A. Anti-Money Laundering**

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The GOM's lead agency for combating money laundering, the Reserve Bank of Malawi (RBM), has shown the will to identify, investigate, and interdict money laundering activities and has scored some modest successes over the past two years. The banking system's relative underdevelopment, lack of expertise in forensic accounting, and resource constraints, however, have kept the RBM from identifying and shutting down operations suspected of transferring illicit money into and out of Malawi. ESF funds could be well-used to increase the RBM's skills at investigating suspicious transactions and monitoring external financial flows by establishing an investigation that would eventually become a Financial Intelligence and Surveillance Team (FIST). Most likely, the unit would be a small group that would connect the work of RBM's Bank Supervision and International Operations Departments. Liaison between the Departments already occurs, but having a team of dedicated and well-trained professionals to monitor suspicious transactions would raise the profile of anti-money laundering activities.

The main components of an ESF project would be one-time costs to equip the FIST, such as computers and training for the team members. Training would be most beneficial if conducted in Malawi with an experienced investigator in the country for at least 60 days and further available for follow-up. Experts could be brought in from South Africa, where the head SADC regional trainer for money laundering prevention and compliance is located, or from the U.S.

Estimated cost: \$100,000

MPP linkage: This project strengthens the Mission's ability to support increased GOM participation in the fight against terrorism, particularly in the regional context. MPP Goal Paper 2, "Democratic System and Practices", Strategy 3 supports increased Malawian participation in the regional fight against terrorism. A likely impact of this proposal would be in the first performance indicator, "Increased Support for International and Regional Counterterrorism Initiatives".

**B. Counter-Terrorism Legislation**

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Since the terrorist attacks in the U.S. in 2001, the GOM has condemned acts of terrorism strongly, publicly, and frequently. In June of 2003 the GOM matched these words with action by detaining and deporting five expatriate Muslims believed to be linked to Al Qaeda. While this operation was generally successful, one weakness revealed was the complete lack of counterterrorism legislation within the country. Though the GOM has ratified eleven of the twelve UN Conventions on counterterrorism, such legislation remains absent domestically. The GOM has expressed interest in drafting such legislation, and has directly asked the USG for assistance.

Post proposes that sufficient ESF funds be allocated to allow USG subject matter experts from DoJ to travel to Lilongwe in order to work with counterparts at Malawi's interministerial Counterterrorism Task Force in drafting counterterrorism legislation appropriate for the country's legal system. Additionally, the GOM would have a Washington D.C. point of contact to consult with on a regular (and as-needed) basis to consult with regarding the implementation of and legal interpretation of such laws.

Estimated cost: \$35,000

MPP linkage: This project supports the Mission's goal of increasing support for international and regional counterterrorism initiatives. Malawi has shown its willingness to succeed in preventing terrorist activities,

and with some assistance in capacity building could play a constructive role in regional efforts to combat terrorism. Strategy 3 of MPP Goal Paper 2, "Democratic System and Practices", supports increased Malawian participation in the regional fight against terrorism. A likely impact of this proposal would be in the first performance indicator, "Increased Support for International and Regional Counterterrorism Initiatives".

#### C. Environment

Malawi's ability to supply enough hydro-electric power to its people depends heavily on two things: the Liwonde Barrage, which retains and releases the waters of Lake Malawi and the Shire River; and the string of Nkhula power stations, all of which are located down-stream of the barrage on the lower Shire River. A growing encroachment of aquatic weeds around the Liwonde Barrage and the in the river has contributed to electricity supply problems, which have worsened to the point of hindering economic development. The Electricity Supply Company of Malawi (ESCOM) has said the weeds and increasing siltation in the river basin have severely hampered power generation. Aquatic weeds clogging the aging Liwonde Barrage and Nkhula power stations worsen in the rainy season as heavy rains flood the riverbanks and send mats of thick reeds adrift. Suspension of power generation, necessary to remove weed build up and flush filtration systems, in turn prevents businesses, medical facilities, and government services from operating. One report noted growing sanitation problems in Blantyre because the Water Board did not have adequate electricity to properly manage the water systems.

Post proposes that ESF funds be provided to allow subject-matter experts to conduct an engineering assessment and architectural refurbishment of the Liwonde Barrage. Such work would help better regulate water flow and control aquatic weed levels in the Lower Shire River where the hydroelectric plants are located.

Estimated cost: \$300,000

MPP linkage: This project supports MPP Goal Paper 1 in fostering economic growth and development. Advances made in this sector will contribute to the country's ability to stabilize its fragile economy, contribute to political stability, and encourage sustainable environmental management.

#### D. Controlling Corruption

Malawi's Anti-Corruption Bureau (ACB) has encountered significant obstacles in its efforts to carry-out its mandate as a watchdog of corruption. Stalled legislation, lack of civic awareness, and a lack of understanding of the results of corruption combined with a weak political will, have all contributed to the problem. While certain civil-society groups are attempting to push for appropriate corruption controls, the voice is weak and lacks the more compelling support of informed public consensus. To reinvigorate past and ongoing efforts, and to build upon the opportunity for broad public debate which arises after national elections, the U.S. Mission would support a broad-based civic education drive. Activities would focus on concrete examples of how corruption impacts the lives of ordinary people and stimulate involvement at the civic level, educating citizens about the need to combat corruption at all levels of government.

The project would likely be implemented using an existing USAID central mechanism combined with an innovative approach. In concert with Transparency International, this project would engage civic leaders, government officials, and local advocacy groups.

Estimated cost: \$300,000

MPP linkage: Control of corruption is a key element in strengthening democratic institutions in Malawi. In goal paper 2, Democratic System and Practices, the second performance indicator measures success with Transparency International's Corruption Perception Index. This project would likely improve Malawi's standing on this index, pushing the country closer to Millennium Challenge Account eligibility.

BROWNING